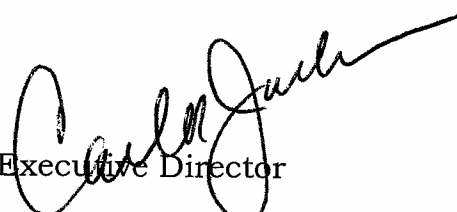


Housing Authority - County of Los Angeles

October 29, 2004

To: Each Supervisor
From: Carlos Jackson, Executive Director



SUBJECT: LETTER TO HUD REGARDING FUNDING ERROR

Pursuant to my memorandum to you dated October 19, 2004 regarding the Section 8 Program (Funding Shortfall), I have attached a copy of my letter to HUD Secretary Alfonso Jackson regarding a request to correct our annual program allocation by an increased amount of \$6.1 million.

As we have had to make changes to our Section 8 Program in response to directives from HUD, I contracted with PHA Finance, Inc. to provide an assessment of our Section 8 financials in order to minimize the impact on those we are serving. They recently completed a review of our federal funding allocations and discovered that there are significant discrepancies in funding. This review revealed that HUD had miscalculated the funding due to us for Federal Fiscal Year 03/04.

My letter is requesting that the \$6.1 million be restored. However, should HUD deny the request, I have asked for a meeting with them to discuss the matter. I will keep your Board informed of this situation as it unfolds. Please feel free to contact me if you have any questions.

CJ:sm
Attachment

c: Each Deputy
CAO



**HOUSING AUTHORITY
of the County of Los Angeles**

Administrative Office

2 Coral Circle • Monterey Park, CA 91755
323.890.7001 • www.lacdc.org • TTY: 323.838.7449



Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

October 28, 2004

Alphonso Jackson, Secretary
U.S. Department of Housing and
Urban Development
451 7th Street, S.W.
Washington, DC 20410

**Subject: Housing Authority of the County of Los Angeles (HACoLA)
(CA002) Annual Funding Miscalculation**

Dear Mr. Jackson:

The purpose of this letter is to discuss HUD's funding miscalculation for Federal Fiscal Year 2003 and 2004 in the amounts of \$3.7 million and \$2.4 million respectively, and to request that these funds be restored to the County of Los Angeles Housing Authority. This request is being made as a result of an overall programmatic and funding assessment of our Housing Choice Voucher Program.

Due to the recent national changes to this Program, HACoLA has been continuously reviewing overall funding and making necessary adjustments in order to minimize the impact on the families and individuals we are serving. As part of this effort, we have contracted with PHA Finance to provide consulting assistance in this assessment. Upon their review of the funding methodology as prescribed by HUD using HUD Form 52681 and PIH Notice 2003-23 for Fiscal Year 2003, and the Appropriations Act of 2004 and PIH Notice 2004-7 for Fiscal Year 2004, significant discrepancies were found.

Through their review of HACoLA's financial data, PHA Finance discovered that for Fiscal Years 2003 and 2004, HUD's methodology in calculating our funding was incorrect. The supporting documentation that establishes our position and the methodology for the calculations is provided under Section A and Section B of the enclosed report. PHA Finance's review determined that:

- In Fiscal Years 2003 and 2004, HACoLA was not fully funded for increment renewals for FY 2003. Based on the calculations, HACoLA requests that the \$3.7 million outstanding from 2003 be returned from HUD by replenishing HACoLA's ACC reserve account.



Alphonso Jackson, Secretary

October 28, 2004

Page Two

- As calculated in Section B, HACoLA requests HUD's consideration in providing the \$2.4 million shortfall for FY 2004.

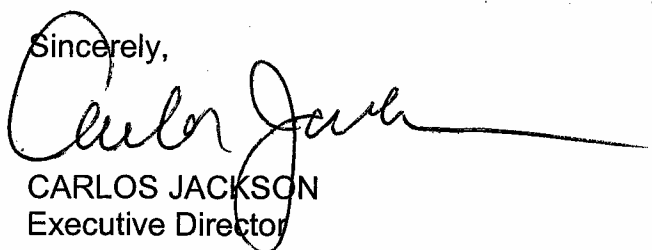
In addition to the issue of underfunding, there have been multiple attempts to address shortfalls in funding the ACC reserves. HACoLA has sent three letters to your office in this regard, dated May 24, 2004, July 30, 2004 and August 2, 2004. We received responses from HUD, however, the responses did not address the issues contained in our letters. The letters mentioned above, as well as copies of your responses, are provided under Section C for your review.

Due to the continuous changes at HUD, this request for restored funding is critical to maintaining our successful level of program results. Similar to other Housing Authorities who have modified their programs, HACoLA has reduced our payment standards, increased minimum rents and instituted various other actions to preserve our program. The restoration of these funds will allow HACoLA to continue to be prudent and effective in administering the Section 8 Program.

In order to achieve resolution, HACoLA is requesting a meeting with HUD to discuss the aforementioned issues. HACoLA would like to schedule this meeting immediately and its representatives are available to meet in Washington, D.C. to expedite the process. If you are unable to accommodate this request we are requesting information as to how HACoLA may file an appeal to complete this process. I may be reached at (323) 890-7400.

Thank you for your time and prompt consideration of our requests.

Sincerely,



CARLOS JACKSON
Executive Director

CJ:krs
Enclosures

c: William O. Russell, Deputy Assistant Secretary
David Vargas, Office of Public Housing and Voucher Programs
Glenda Giffie, Financial Management Center
Cecilia Ross, Director, Los Angeles Area Field Office